

6. Rural Development: Pumping New Life into Rural Economies

In thousands of communities across the Nation, rural people are struggling to pump new life into economies locked into a downward spiral of job losses, outmigration, diminishing services, and declining living standards. Some 61 million people live in rural America, nearly 40 percent of whom earn wages below the Federal poverty level.

Helping to overcome these problems and fulfill the promise of America is USDA's office of Rural Economic and Community Development (RECD). RECD was created in 1994 when rural economic programs that had been splintered among various USDA agencies were combined into one mission area. RECD is forging new partnerships with rural communities, funding projects that create quality jobs, services, housing, and utilities. Some RECD programs also help overcome lack of competitiveness caused by isolation. This help takes many forms. It could be

- Keeping a country school or medical clinic open by linking it to the information superhighway
- Replacing dilapidated shacks with clean, safe homes, or
- Providing technical services that help rural artisans and farmers organize their own marketing cooperatives. Every year, USDA/RECD programs help create or preserve tens of thousands of rural jobs and create or improve more than 60,000 units of quality rural housing.

Regardless of which of its programs provide the economic stimulus, the mission of RECD is to bolster the quality of life in the Nation's rural communities. While the Federal Government cannot by itself solve the problems facing rural America, it can influence and motivate others—State, local, and tribal governments, as well as private and nonprofit organizations and user-owned cooperatives—to engage in rural revitalization efforts.

■ How RECD Works

The following examples illustrate the many ways in which RECD is working to create or preserve jobs and to enhance the quality of life in rural areas:

- In Frisco City, AL, more than 250 workers lost their jobs when fire destroyed a garment factory. The owners decided not to rebuild the plant, dealing a potentially crippling blow to a rural community where the plant was the largest employer. However, the local power cooperative secured a zero-interest loan from RECD's Rural Utilities Service, which it used to attract a medical garment factory to town, creating 210 new jobs with a possibility of 200 more jobs to be added later.

- In Wahpeton, ND, wheat straw—until now a virtually worthless postharvest crop residue, much of which is burned in the field—is instead being processed into particleboard suitable for most construction uses. This is occurring thanks to an \$8.8 million Guaranteed Business and Industry Loan secured from the Rural Business and Cooperative Development Service of USDA/RECD. Some 100 million acres of wheat straw are produced each year in the Great Plains, so a new, commercial technology that will turn this scrap material into a value-added product could have an enormous impact on the region’s economy.
- In the Big Bend region of Texas, a husband bade farewell to his wife and daughters as he headed north for 6 months of harvesting crops across the Western United States. He dreamed of the day when there would be jobs in his own village that would enable him to support his family without this annual separation. That dream is on the verge of reality, as a local farmers’ cooperative prepares to open its own dairy goat cheese plant. The new facility was made possible in large part by technical assistance from a Cooperative Services advisor and a Business and Industry grant, both programs of USDA’s Rural Business and Cooperative Development Service.
- The last doctor serving 11 communities in a rural area of Massachusetts retired, creating a medical-care crisis. Without a new medical clinic, the area could not attract a new doctor. A modern clinic was built with funding provided through RECD’s Rural Housing and Community Development Service, enabling community leaders to recruit several doctors.
- Despite a good payment record by the borrower, an out-of-State bank decided that seasonal operations were “too risky” and called due the loan of a Christmas decoration manufacturing plant in rural Maine. The plant manager was forced to lay off his entire work force of 30 people just before Christmas, but vowed to open again and rehire them. He did so thanks to a loan guarantee provided through the Business and Industry Guaranteed Loan Program of RECD’s Rural Business and Cooperative Development Service.
- In Bristol Bay, AK, children from several isolated villages had to be flown to school daily. Using technology grants from the Rural Utilities Service, Bristol is in the process of establishing a distance-learning link which will allow students to participate in classes without the daily flight to school.
- In central Mississippi, dozens of substandard residences lack running water and sewer service. With a grant from USDA’s Rural Housing and Community Development Service, new, quality housing units are being built with clear, running water and sewer service.

RECD programs are administered through three Agencies: the Rural Utilities Service (RUS), the Rural Business and Cooperative Development Service (RBCDS), and the Rural Housing and Community Development Service (RHCDS). RECD programs and services are provided through 47 State offices, 250 district offices, and more than 1,700 county offices. A finance office in St. Louis, MO, handles financial, statistical, and management information activities.

The following overviews describe these three Agencies and their main programs.

■ Rural Business and Cooperative Development Service (RBCDS)

Creation of viable new and improved businesses and cooperatives in rural America is the top priority of this agency. RBCDS works through partnerships with public and private community-based organizations to provide financial assistance, business planning, and technical assistance to rural businesses. It also conducts research into rural economic issues, including rural cooperatives, and provides educational materials to the public.

Business and Industry (B&I) Loan Guarantees help finance rural business and industry projects that enhance employment opportunities and improve the economic and environmental climate in rural communities, including pollution abatement and control. Loan guarantees for projects that foster lasting community benefits bolster existing private credit structures. B&I loan guarantees, which are not intended for marginal or substandard loans, are available to businesses in areas outside urban areas with populations of 50,000 or more. Funds are also available to guarantee loans made by private lenders to cover costs arising from natural disasters (declared by the President).

Intermediary Relending Program Loans finance business facilities and community development projects in areas of a State that are outside cities of 25,000 people or more. Funds loaned by RBCDS to intermediaries support new business facilities and community development projects in rural areas.

Rural Economic Development Loans and Grants promote rural economic development and job creation projects, including feasibility studies, startup costs, and other reasonable project expenses. The maximum amount of a grant or loan is \$400,000. Loans have a maximum term of 10 years and are repaid without interest. These loans and grants are available to existing Rural Utilities Service electric and telephone borrowers.

Rural Business Enterprise Grants assist public bodies, nonprofit corporations, and Federally-recognized Indian Tribal groups to finance small and emerging private business enterprises located in rural areas. A rural area is defined as an area outside the boundary of a city with a population of 50,000 or more and its immediately adjacent urbanized or urbanizing area. Funds may be used to finance and develop small and emerging private business enterprises. Costs that may be paid from grant funds include the acquisition and development of land and the construction of buildings, plants, equipment, access streets and roads, parking areas, and utility and service extensions. In addition, funds may be used for refinancing, professional services,

technical assistance, startup operating costs, working capital, and financial assistance to a third party. These funds may also be used to produce television programs that provide information for rural residents, and to create, expand, and operate rural distance learning networks.

Rural Technology and Cooperative Development Grants finance the establishment and operation of centers for rural technology and/or cooperative development. The grants improve the economic conditions of rural areas by promoting the development and commercialization of new services, products, processes, and enterprises in rural areas. Eligible applicants are public bodies, nonprofit organizations, and Federally-recognized Indian Tribal groups.

Local Technical Assistance and Planning Grants may be used for technical assistance and training for small businesses, analysis of business opportunities in rural areas, establishment of business support centers, local or multicounty economic development planning, coordination of economic development activities, and leadership development training for local government officials. These grants, which are available to public bodies and nonprofit organizations, may be used to assist rural areas and any city or town with a population under 10,000.

Cooperative Services helps improve the performance of the Nation's cooperatives and promotes understanding and use of the cooperative business system. By working together for their mutual benefit in cooperatives, rural residents are often able to reduce costs for production supplies and consumer goods, obtain services that might otherwise be unavailable, and achieve greater returns for their products. Cooperative Services accomplishes its mission by (1) responding to requests for technical assistance from rural residents who want to organize a cooperative or improve operations of an existing cooperative, (2) providing information and educational materials relating to cooperatives, (3) conducting research on cooperative financial, structural, managerial, policy, member governance, legal, and social issues, and (4) collecting and disseminating statistics to support research and technical assistance work.

The **Alternative Agricultural Research and Commercialization Center's** mission is to expedite the commercialization of new industrial products or of new uses for agricultural and forestry materials and animal byproducts. The center makes repayable investments in small businesses in rural areas. Repayments go into a revolving fund for investment in other projects. Applicants are expected to match AARC funds with an equal amount of funding from other sources.

■ Rural Housing and Community Development Service (RHCDS)

Decent, safe, sanitary, affordable housing and community facilities are indispensable to vibrant rural communities. USDA's Rural Housing and Community Development Service has the responsibility to make these essential elements available to rural Americans. RHCDS programs help finance new or improved housing for over 65,000 moderate-, low- or very-low-income families each year. These programs

also help rural communities finance construction, enlargement, or improvement of fire stations, libraries, hospitals, clinics, industrial parks, and other essential community facilities.

Home Ownership Loans provide home ownership opportunities and assistance to low-income households to purchase, construct, repair, or relocate a home. Borrowers are offered 30- or 38-year loans at fixed interest rates as low as 1 percent, depending on the family's adjusted income. The program provides supervised credit to many borrowers, enabling them to maintain stable payment schedules in times of financial crises through "workout" agreements. Moderate-income rural residents can be assisted with loan guarantees offered through private lenders. The loans, both direct and guaranteed, can cover up to 100 percent of market value, or acquisition cost, whichever is less.

Home Improvement and Repair Loans and Grants enable very-low-income rural homeowners to remove health and safety hazards from their homes and to make homes accessible for people with disabilities. Loans have a maximum interest rate of 1 percent. Grants are available for people age 62 and older who cannot afford to repay a loan. Housing preservation grants to nonprofit groups and government agencies finance rehabilitation of rental units for low-income and moderate-income residents.

Rural Rental Housing Loans finance construction of rental housing for low- and moderate-income individuals and families and cooperative housing for elderly or disabled persons. Loans have a maximum term of 50 years, can equal up to 100 percent of the appraised value or development cost, and can be used to construct new housing or to purchase or rehabilitate existing structures.

Rental Assistance payments provide funds directly to the owners of RHCDS-financed rental housing under contracts specifying that low-income tenants will pay no more than 30 percent of their income for rent. Rental assistance allows low- and very-low-income families to afford decent rental housing.

Community Facilities Loans and Loan Guarantees help construct, enlarge, extend, or otherwise improve community facilities providing essential services in rural areas and towns with a population of 20,000 or less. Direct loan funds are available to public entities such as municipalities, counties, special-purpose districts, Indian tribes, and nonprofit corporations. RHCDS also guarantees community facility loans made by banks or other eligible lenders.

■ Rural Utilities Service

The programs of the Rural Utilities Service (RUS) touch the lives of tens of millions of rural Americans daily. Through project financing and technical assistance, RUS builds infrastructure to provide rural businesses and households with modern telecommunications, electric energy, and water. Today, this means bringing the "information superhighway" to rural America; guaranteeing safer, more reliable electric power; and delivering safe, clean drinking water with environmentally sound wastewater disposal to rural areas.

RUS is more than a new name for the successful programs of predecessor agencies. It is a partner to rural business and economic development, providing infrastructure that is the foundation for competitiveness. It is a technical and financial resource in a time of change for rural utilities.

Rural Telecommunications Loans and Loan Guarantees build modern rural communications systems. They provide rural areas with “ramps” to the information superhighway by making financing available for telecommunications facilities and by supporting the Rural Telephone Bank program. Loans are made to rural telephone cooperatives and companies which bring reliable and affordable telecommunications services to over 15 million rural Americans.

Rural Electric Loans and Loan Guarantees provide reliable, safe, and affordable electric energy to rural America by financing power distribution, generation, and transmission systems. Loans are made to nonprofit and cooperative associations, public bodies, and other utilities which serve over 25 million rural Americans.

Distance Learning and Medical Link Grants bring distance learning and telemedicine to rural America. Education and adequate medical care are crucial to the survival of rural communities, but are becoming increasingly difficult to provide. This program employs innovative ways to use existing telecommunications infrastructure to extend the reach of educational and medical expertise into communities without that expertise. Grants have been made to rural schools, clinics, and hospitals.

Water and Waste Disposal Loans and Grants develop water and waste disposal systems (including solid waste disposal and storm drainage) in rural areas and towns with populations under 10,000. The funds are available to public entities such as municipalities, counties, special-purpose districts, Indian tribes, and nonprofit corporations. RUS also guarantees water and waste disposal loans made by banks and other eligible lenders. The same types of applicants are eligible for grants and loans.

Emergency Community Water Assistance Grants assist rural communities that have experienced a significant decline in drinking water quantity or quality to make emergency repairs and replace existing facilities. Grants can be made in rural areas and towns with a population of 5,000 or less and a median household income of no more than 100 percent of the State’s median nonmetropolitan household income.

■ Rural Empowerment Zones and Communities

USDA is involved in an ambitious new effort to help revive the rural economies of some of the Nation’s most economically depressed rural areas. This effort resulted in the selection of three Rural Empowerment Zones (EZs) and 30 Rural Enterprise Communities (ECs) in 1994 which will be eligible for special economic stimulus programs to help overcome persistently high poverty rates. These designations will help revitalize local communities by putting Americans to work.

The Rural EZs selected for the program are:

- Kentucky Highlands (Clinton, Jackson, and Wayne counties),
- Mid-Delta in Mississippi (Bolivar, Sunflower, Leflore, Washington, Humphries, and Holmes counties), and
- Rio Grande Valley in Texas (Starr, Cameron, Hidalgo, and Willacy counties).

The 30 ECs include counties and towns across the Nation. States with one or more ECs include: Alabama, Arizona, Arkansas, California, Florida, Georgia, Louisiana, Michigan, Mississippi, Missouri, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Virginia, Washington, and West Virginia.

EZ/EC designations were based on strategic plans developed by local leaders, organizations, State officials, and the private sector. Each EZ and EC designation means special consideration for various Federal programs and other assistance, including social service block grants, new tax-exempt facility bonds, tax incentives for employment, and other special consideration for existing Federal programs.

Employers in EZs will qualify for tax credits for each qualified worker who resides in the zone. Each EZ receives \$40 million and each EC receives \$2.95 million to implement the strategic plans.